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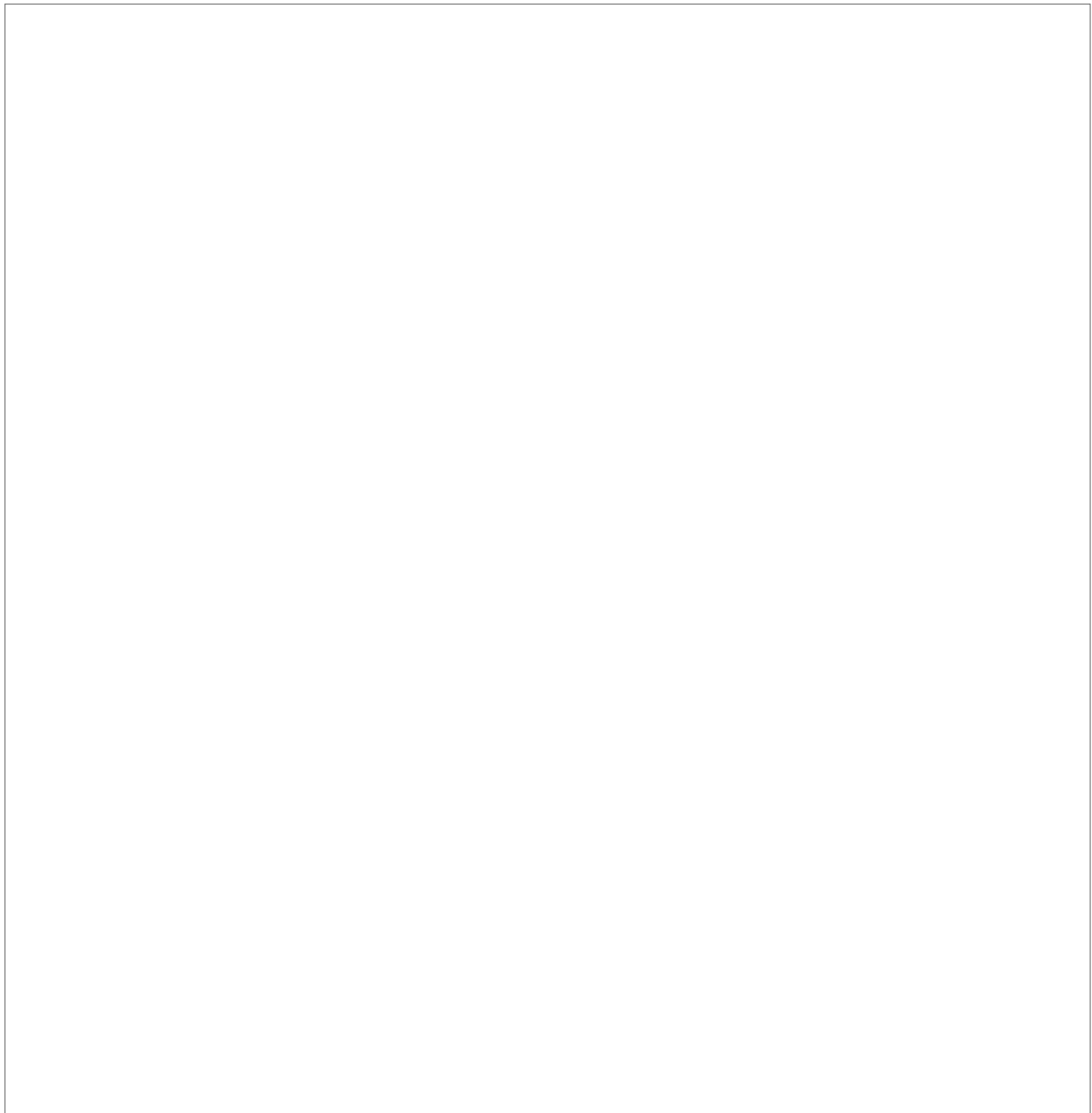
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GENERAL

1.



SOVIET UNION

2. Comment on significance of Soviet central committee plenum:



According to preliminary information,
the published decision of the 25-31 January
plenum of the central committee of

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the Soviet Communist Party is devoted almost wholly to problems of increasing agricultural and livestock production, with a brief introduction reiterating the importance of heavy industry as the basis of the economy. It gives agricultural goals for the Sixth Five-Year Plan (1956-1960) which are very ambitious and probably unattainable, and which indicate that agriculture, on which the "new course" has concentrated, will continue to receive heavy emphasis.

It seems unlikely, however, that a plenum would have been called at this time solely to discuss agricultural and livestock production. The meeting took place shortly after the regime had apparently reached a decision to reaffirm the emphasis on heavy industrial production and at a time when decisions connected with projected West German rearmament and the increasingly sensitive Formosa situation may have been reached. The recall to Moscow of a number of Soviet ambassadors supports the possibility that foreign policy was one of the subjects discussed.

The plenum was apparently timed to precede the Supreme Soviet session, called for 3 February, at which any shifts in policy may become evident.

FAR EAST

3. Comment on increasing Chinese Communist military activity in Shanghai area:

Chinese Communist military preparations in the coastal areas opposite the Tachens have been intensified and further Communist action in the Tachens area is expected in the near future.

Communist naval vessels operating in waters between Shanghai and Haimen, 40 miles west of the Tachens, on 1 February. The number of ships in this area is now greater than that reported just prior to the Ichang invasion, when 41 vessels were active in communications.

[REDACTED]

Bomber strength in the Shanghai area had already increased in the past 10 days to at least 150, and there have been indications that MIG-15 jet fighters may be moving to the vicinity from Manchuria.

[REDACTED] MIG-17's--the latest model Soviet-built jet fighters--are based at Chiahsing airfield, 45 miles southwest of Shanghai. These are the first planes of this type reported in Communist China.

SOUTHEAST ASIA

4. Bao Dai disapproves of Vietnamese anticorruption drive:

[REDACTED] Bao Dai has cabled Diem that he considers the premier's action in placing corruption charges against the former governor of Central Vietnam, Phan Van Giao, to be a very grave matter and wants to be consulted before any further steps are taken. [REDACTED] Giao, who eluded a police dragnet and flew to France, reportedly told Bao Dai that if Diem persisted, he would have to reveal Bao Dai's receipt of embezzled funds.

Meanwhile, Diem appears to have no intention of consulting with Bao Dai and is believed to be seeking evidence against four former premiers.


The embassy comments that "hornets' nests seem to have an irresistible fascination for Diem."

Comment: Corruption has been rife in all former Vietnamese governments, and Diem could probably find evidence to incriminate the former premiers, all of whom have been active in intrigues against him.

Action in this direction, however, would eventually almost certainly implicate Bao Dai, who as chief of state has the authority to dismiss Diem.

WESTERN EUROPE

5. Bonn may ask Allies to act for it on Soviet-proposed war prisoner release talks:

 The West German government feels compelled to take some action with reference to the Soviet feeler, reported on 12 January, for talks with representatives of the Social Democratic and Free Democratic Parties on the release of 40,000 German war prisoners, according to State Secretary Hans Globke. Bonn is considering sending a note to the Western allies asking them to investigate the validity of the offer and to act on behalf of the Federal Republic. Such a move, Globke believes, would enable the government to say it had done everything it could.

The West German businessman used by the USSR as an intermediary in putting out its feeler allegedly has stated that Moscow would widen the scope of the proposed conversations to include German reunification. According to Globke, neither the Social Democrats nor the Free Democrats wish to become involved in conversations linking reunification with the prisoner problem.

Comment: This is the first report that the USSR may attempt to link the reunification question with negotiations on the return of German prisoners. The POW issue has great popular appeal in West Germany and any mishandling of the situation by Bonn--whether apparent or real--could have serious consequences for Adenauer and Western interests in general.

At a recent party executive committee meeting the Free Democrats voted overwhelmingly against taking part in any negotiations with the USSR prior to final ratification of the Paris accords.

6. Communist-instigated labor trouble seen likely in Iceland:



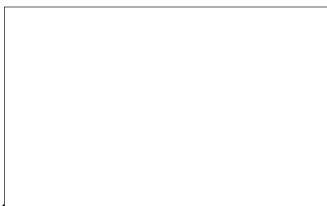
Labor trouble, possibly including strikes, appears probable in Iceland by 1 March, according to American Defense Force officials in that country. The Communist-dominated dockworkers' union is terminating its contract as of 1 March, and a slowdown in unloading operations has already begun. The factory workers' union, which is also Communist-dominated, is expected to follow the dockworkers' lead, and 12 other unions in Reykjavik are serving notice of contract termination.

American officials note that a strike by the dockworkers would seriously hamper the supply of the American Defense Force in Iceland.

Comment: The Communists, who with the help of left-wing Socialists have gained control of the Icelandic Federation of Labor, are preparing to launch an aggressive campaign for large wage increases. They hope to enhance their reputation among the rank and file by achieving concrete results. Since the right-wing trade unionists seem to be leaderless and demoralized, some Communist success seems likely.

LATE ITEM

7. Soviet UN delegates prepare ground for Sino-Soviet diplomatic maneuvers:



At a Security Council dinner on 31 January, Soviet UN delegates expressed doubt that the Chinese Communists could accept the council's invitation. Sobolev, acting chief of the Soviet delegation, also thought the Security Council was too large a group for discussions with the Chinese Communists. He added that if they did come it would be necessary to set up secret talks with only a few participants.

Sobolev said that the Chinese Communists were very slow-moving and that a good deal of time would have to go by for them to "digest" the council proceedings.

Comment: These hints of delays and of other maneuvers to come indicate that Peiping and Moscow have no intention of seriously negotiating an early cease-fire at the UN. They will probably delay negotiations while they attempt to obtain favorable terms of reference. Their continuing objective is to raise fears that American actions are leading the non-Communist world into war.